

Washington State Health Care Authority

ADVISORY TEAM MEETING SUMMARY

K-12 HEALTH BENEFITS REPORT PROJECT

WEDNESDAY, OCTOBER 5, 2011

PUGET SOUND EDUCATIONAL SERVICES DISTRICT

800 OAKESDALE AVENUE SW, RENTON, WA 98507

9 A.M. – NOON

PURPOSE:

- Provide an update about the Report's progress
- Provide a preliminary overview of the current descriptions of the K-12 and PEBB health benefits systems
- Discuss and identify pros and cons of one option: moving K-12 public employees into PEBB. This exercise will also be a means to identify critical issues for any system that is prospectively designed

Meeting Facilitators:

Peter Summerville, rialto-Pyramid

Tim Barclay, Milliman

Additional Leadership and Support Team Members:

Mary Fliss, HCA

Annette Meyer, HCA

Linda Blankenship, Camray Consulting

Denise Rhiner, rialto-Pyramid

Lisa Kagan, rialto-Pyramid

Materials:

- Agenda
- K-12 Health Benefits Report Content Outline—*DRAFT*
- Milestones for Engagement
- Project Timeline
- Consolidating K-12 in PEBB: Phase I, Summary of Issues Associated with the Simple Mandate Option—*Working DRAFT*

Additional Resources:

<http://www.hca.wa.gov/k12report>

Present in the meeting in-person or conferenced-in:

Pete Cutler, Office of the Insurance Commissioner

John Kvamme, WASA

Debra Long, WA State School Directors' Association

Debra Campbell, WA Association of School Business Officials

Merilee Miron, American Federation of Teachers

Doug Nelson, Public School Employees of WA, SEIU 1948

Randy Parr, WEA

David Westberg, Joint Council of Stationary Engineers AFL/CIO

Patty McKeon, Group Health Cooperative
Lyn Felker, Premera Blue Cross
Jim Grazko, Premera Blue Cross
Jim Messina, Premera Blue Cross
Thad Mick, ODS Health
Marnie White, School District benefits broker, Sprague Israel Giles
Monica Cripe, School District benefits broker, Sprague Israel Giles
Linda McDermott, Spokane Public Schools
Cindy Coleman, Spokane Public Schools
Michael Binyon, Spokane Public Schools
Elaine Williams, Seattle Public Schools
Michael Peterson, The Sound Partnership (Tacoma Public Schools)
Molly Ringo, Everett Benefit Trust/Everett School District
Meg Paul, Aon Hewitt
Mark Rose, WA Association of Health Underwriters/The Partners Group
Mitch Denning, Alliance of Educational Associations/WASBO
Gary Moore, WEA
Sean White, Mercer Consulting
Rich Dickman, Copper Leaf Consultants
David Pringle, Ways & Means staff

MEETING SUMMARY:

Project Update

Project is moving forward. The HCA has met with the Design Team several times and had discussions with legislators and staff from both parties and key committees.

Overall response from districts on data request has been positive. Expect most data to be in to the HCA by mid-October. Some districts haven't completely fulfilled data request. We'll be following up.

We are in the process of creating a survey to obtain the perspectives of the organizations that make up the K-12 Advisory Team about different policies as they relate to a consolidated K-12 system. We will be sending out an email link during the week of October 17 to the primary contact for each organization involved with K-12 Advisory Team organization. This is an opportunity for each organization to share opinions and additional feedback—it is not a vote binding the HCA to any particular policy.

PEBB AND K-12 System Descriptions

Tim Barclay of Milliman gave a presentation outlining the similarities, benefit offerings, eligibility, level of employee contributions and funding of both the current K-12 public school employee health benefits system and the PEBB program.

Consolidating K-12 in PEBB

Following the system descriptions Tim Barclay walked the Advisory Team through a working draft of what consolidating K-12 in PEBB might look like, as well as the initially identified issues associated with doing so. **The goal of the review was to promote discussion around the critical issues that need to be**

considered in the formation of any new consolidated K-12 health benefits system. This working draft is not intended to be the presumed purchasing strategy of the Report.

Topics, Issues and Questions

Following is a summary of the topics, issues and questions raised by participants and discussed by the group.

Long-Term Disability (LTD) Coverage

It was noted that system descriptions did not take into account the LTD that the current K-12 system offers. The scope of the original project focused on medical, vision, dental. The HCA Design Team understands this is a material issue that needs to be addressed.

Cost Savings

A question was raised about the definition of cost savings: is it about simply shifting costs by eliminating participants or is it in regard to utilization? The questioner's hope is that it is "true" savings, addressing utilization, not cost shifting. Tim clarified that cost savings were not the intended driver of the day's conversation—equity and transparency are. The HCA is not expecting nor wanting to spend more for benefits.

Collective Bargaining

A comment was stated that bargaining in K-12 is full-scope bargaining and includes a variety of greater criteria (beyond health benefits). State bargaining (PEBB) is over who pays what; a more dynamic process for a richer benefit package. The state structure is so separate that it really becomes what is best for all and is not reflective of individual bargaining units. Concern is that full time and part time employees have given up wages in bargaining in exchange for comprehensive benefits packages, and, if moved to PEBB or any other system, that sacrifice might be for naught if those employees can't bargain for a comparable package.

Benefits

- A number of districts estimated that approximately 25 percent of their employee population is moving to plans that are not as rich, and with lower net premiums.
- Within PEBB, the vision benefit is limited—it's on the low end of the range of offerings that current K-12 actually offers.

Eligibility

Tim Barclay clarified that if K-12 employees were moved into PEBB, districts would set eligibility; however, the funding they may receive may only cover the state's eligibility level of .5 FTE. As currently run, it would be mandatory to participate if .5 FTE or above.

Funding Pools/Allocations/Funding Issues

- Various models for pooling funding exist—Tacoma Trust: all employees get same allocation, but their contribution is pro-rated by FTE. In Seattle, full benefits provided for over .1 FTE and no pro-ration of contribution.
- Remittances are part of \$768, and \$850. Would still be included if K-12 moved into PEBB. Point made that remittances are not pro-rated and someone will have to make up the difference.
- Concern that certain K-12 employees are not funded by state and will not be taken into account.

- In current K-12 system, allocations are made for 1 FTE (not actual number of employees), so someone at .3 FTE, while getting full coverage, only gets allocation for 33% of \$768 rather than the full \$768. Individuals or districts have to make up the difference with contributions, levies, etc. How will this change with a move into PEBB? Concerns that with same funding formula used but allocations made only for .5 FTE and above, it will increase the amount of funds districts will have to raise or participants will have to contribute. The lure of eligibility being the same under PEBB as current system (district set) is just that because the costs would go up regardless. Critical issue is this increased cost, which ultimately sets eligibility, especially part time workers who may not be able to afford it.

VEBA and HSAs

- Washington's VEBA (Voluntary Employee Beneficiary Association) is thought by some to be irrelevant part of conversation. However, in some school districts highly important because it was part of bargained compensation and thus close attention is paid to it.
- Some districts look at HSAs. Several districts have them, but low participation.

Employee Contributions

- **Critical issue** noted—with PEBB, even if you waive coverage, district would still have to submit the \$850. And in those under .5 FTE, district would lose money on them/have to pay for them without state allocation.
- For those who waived coverage \$850 would still have to be contributed, and even for those who might only have dental or vision coverage.
- Belief exists that there is no way to reconcile issues of eligibility and funding.

Administration and Operations

- Timing of open enrollment starting in October not a major issue for most districts. Everett has been on enrollment plan starting on January 1 with enrollment opening in October. Have had no issues. Spokane is, too. It was noted that September and October are crazy for Human Resources, teachers are not paying attention to administrative office, thus the timing would be better in January.
- Point raised that if move made, could convert everything to a fiscal year, including how state funding is calculated. Would be a complication.

Transparency

- Administrative costs would be more transparent with move into PEBB. Fewer staff members would be touching open enrollment, fewer expenditures on brokers, accounts, etc.
- Questions raised—Who are we increasing the transparency for? What is the point of it? Believed that school boards probably know everything about cost and where money goes. Some had a concern that there is a political agenda behind transparency issue.
- Transparency and information sharing are important for school districts. Districts need local data around health conditions. Some have wellness plans designed on health data of their employees. Helps them be healthier, healthier on job. Want to know what information could come back to the districts that is useful to them and is relevant to their priorities.

Governance & Collective Bargaining

- Use of labor super-coalition would require fundamental change in state law. Assertion made that school district employees have to be at the table. And only way state can bargain is to become employer, even for that instance.
- Concern that through collective bargaining, local unions/districts have built up sizable reserves, including LTD and vision and dental plans worth millions of dollars. Will members be able to access their portion of these dollars (and how) under mandated participation in PEBB?
- Point made that many at table assume consolidation into PEBB would require a rewrite of bargaining laws, which could be a **critical issue**.

Critical Concerns and Issues

- Where do K-12 retirees fit in? The PEBB retiree carve-out is significant.
- Collective bargaining statute – will need to be rewritten
- Reserves
 - Reserves for LTD and Life are very important to districts
- Funding
 - If funding mechanism doesn't change, doesn't matter what model, employees, esp. classified staff, will have to pay more; increased out-of-pocket costs
- Opt-in/opt-out
 - Not addressed in PEBB model; want opt-in/opt-out options
- Network capacity and disruption
 - Concern that PEBB network does not have capacity for an additional 100k people
 - Want to maintain continuity of care
- Allocation
 - Mandatory remittance of full amount in PEBB while allocation from state remains the same is considered **critical issue**.

Mandatory Participation Exemption Discussion.

A small work group from the HCA and the Advisory Team has started exploring several options and has begun developing criteria that would be used for the options to enable analysis of potential impacts with each option. A summary will be posted on the website.

Self-Insured/Fully Insured

A small work group has met with Oregon to explore their decision-making around this policy position.

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